

31 JUL 1974

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Annual Report for FY-1974


1. Forwarded herewith is the annual report of the Office of the Inspector General for FY-1974.

2. It is noted that considerable detail was required to describe the problems of the Inspection Staff, in which a small number of persons worked under a total load beyond their capability to handle adequately. This treatment is an accurate reflection of the sort of management problem presented in such a situation.

3. The main conclusions of this report are found in the recommendations, which are summarized below:

a. A separate EEO Staff should be established under the Inspector General. It should have one secretary, which would represent an addition to the present authorization of the Office. In order to meet a priority requirement in the development of the Agency's EEO programs, the AO/DCI has concurred in the assignment of a black officer to this Office in excess of its authorized strength until additional position ceiling can be made available sometime in the future. This move should be accompanied with a separate budget for the EEO Staff.

b. An additional position for one inspector should be approved for the Inspection Staff, which has proved to be severely understaffed during the year since its reorganization. Comptroller projections show such a position in FY-1976, and we propose that this action be taken during FY-1975.

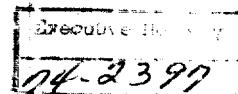

Donald F. Chamberlain
Inspector General

Attachment: a/s

RECEIVED
FIVE

SECRET

SECRET



31 JUL 1974

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Annual Report for FY-1974

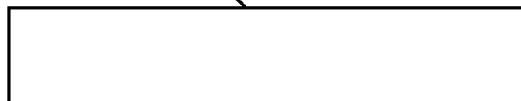
1. Forwarded herewith is the annual report of the Office of the Inspector General for FY-1974.

2. It is noted that considerable detail was required to describe the problems of the Inspection Staff, in which a small number of persons worked under a total load beyond their capability to handle adequately. This treatment is an accurate reflection of the sort of management problem presented in such a situation.

3. The main conclusions of this report are found in the recommendations, which are summarized below:

a. A separate EEO Staff should be established under the Inspector General. It should have one secretary, which represents an addition to the present authorization of the Office. AO/DCI has announced the additional assignment of a black officer to the EEO Staff under the Development Complement of the DCI Area, which should establish a strong staff for further development of the Agency's EEO Program. This move should be accompanied with a separate budget for the EEO Staff.

b. An additional position for one inspector should be approved for the Inspection Staff, which has proved to be severely understaffed during the year since its reorganization. Comptroller projections show such a position in FY-1976, and we propose that this action be taken during FY-1975.



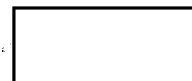
Donald F. Chamberlain
Inspector General

Attachment a/s

EVERETT REPORT FILE

R-5.1

SECRET



25X1

25X1

ANNUAL REPORT FOR FY-1974

Section A -- General

1. The Office of the Inspector General was reorganized at the beginning of the Fiscal Year. The Inspection Staff was reduced to a total of five inspectors, including the Chief of the Inspection Staff who also serves as Deputy Inspector General. Two of these inspectors were assigned to EEO work (one being the CIA Director of Equal Employment Opportunity--D/EEO--and one being the Federal Women's Program Coordinator--FWPC). The Audit Staff was also realigned to more fully correspond with Directorate responsibilities.

Introduction To and Context for the Discussion

Inspection Staff

2. The Inspection Staff program was planned with the understanding that the Staff would be responsible for activities in some four areas: special management studies, which would constitute an important part of its activities; the Equal Employment Opportunity program; employee grievances; and, special assignments, such as what has come to be known as "Watergate."

3. At the time the Staff was reorganized it was felt that the reduction of the staff by two-thirds would leave sufficient strength to handle the mandatory work on grievances, to undertake a program of special studies, and to handle other staff assignments on an ad hoc basis. The possibility that this estimate might be incorrect was recognized and the Inspector General reserved the right to review the manpower requirements of the Inspection Staff at the end of a year's experience in the new mode.

4. During the first half of FY-1974 a new program was formulated and submitted to the DCI, which was approved on 9 January 1974; very little of this has been accomplished. The EEO program was given new stimulus with instructions to move from the relatively conservative character that had typified past Agency policy to a new and aggressive course of action.

SECRET

Audit Staff

5. The Audit Staff was reorganized at the beginning of Fiscal Year 1974 with five operating Divisions being consolidated into three and the special ADP audit personnel becoming a designated Group within one of the Divisions. In addition, in response to Federal Management Circular 73-2, the Audit Staff proposed modification of its traditional program of auditing financial compliance to include the broader management-type audit that is being adopted in the government as a more modern management technique. It was planned to enter the new field on a highly selective basis, and it was felt that there would be only a few so-called "program audits" each year, with the Agency's need for financial and compliance audits continuing to be of primary importance because of the absence of an audit by outside authorities such as the General Accounting Office.

Operating and Management Strategy

6. The problem of operating with a new program approach in a new organizational mode presented itself differently to the Audit and Inspection Staffs. During FY-1974 the Audit Staff retained its basic level of manpower, and was able to adjust assignments of personnel to better meet its responsibilities. The Inspection Staff, however, was limited in its management options. It did not--nor does it now--have sufficient manpower to permit reassignment of personnel in order to adjust to new tasks and programs; it was compelled to abandon projects and delay some work in order to handle assignments of higher priority. Instead of being free to take initiatives of its own, it has had to be largely reactive to requirements and situations emanating from outside its own staff.

7. As a cushion for the experimental year a retiring inspector was employed on contract for one year--the last half of FY-1974 and the first half of FY-1975, while real experience was gained in the new situation. This officer was carried over ceiling for the first half of FY-1974, until retirement. Additionally, it was anticipated that the D/EEO and FWPC would be free to give half their time to Inspection Staff duties, equalling the work of one full-time inspector.

8. The EEO program proved to be a time-consuming activity, as the Agency's more positive approach resulted in considerable work in developing the program, dealing with the various components of the Agency, monitoring progress, and then keeping the new momentum going. Results of the past year show that the D/EEO has only about 10% of his time to give to other Inspection Staff duties, and the FWPC has about 1/3 of her time for Inspection Staff duties. In addition the contract inspector was not able to work full-time. With one senior inspector assigned full-time to "Watergate", this left one full-time inspector to carry most of the regular load. He was forced to concentrate on grievance cases; in the last half of FY-1974 he handled about half the case load.

9. Perhaps the single most influential factor, in terms of being able to handle planned activity, has been the issue that has come to be known as "Watergate." The Inspection Staff was assigned the task in mid-May 1973 to investigate the questions of support given Howard Hunt in 1971 and the Ellsberg psychological profiles. While the importance of the subject was understood, the later development of the various investigations, court actions and impeachment proceedings was not anticipated. The Inspection Staff, as part of its initial involvement, established a file and index system for documents relating to the problem, which gave it a retrieval capability not established elsewhere for reference purposes. As the investigations developed the Staff continued to be involved centrally in the Agency's contribution to the external proceedings, as well as conducting investigations as new questions arose. One senior officer has been on this full-time throughout, and continues to be so involved, with a secretary in almost full-time support. At this writing a senior officer from the Directorate of Intelligence has been on loan for six months on a full-time basis. It has also been necessary to borrow secretarial assistance from time to time to reduce backlogs. Additionally, the Inspector General and his Deputy have been involved on a recurring basis, on occasion on a full-time basis for extended periods. The continuing nature of the work is indicated by projections that the court actions will continue for many months; at the end of FY-1974 action was initiated to assemble a special indexing team to develop a more thorough index and document retrieval system.

10. The Inspection Staff has also been involved in the program to search Agency files for activities of questionable propriety, which resulted in instructions issued by the DCI in August 1973; the addition

to and maintenance of this file continues at a low level. The Staff also is the focal point for an on-going review of assistance furnished to other government organizations, which constitutes a minor work requirement on a continuing basis. Staff participation in either Watergate-related investigations, or participation in preparation of various papers (such as response to Congressional questions on surveillance) occurs on an ad hoc basis.

11. While the EEO program has been included organizationally in the Inspection Staff, it is in fact an Agency program and the D/EEO reports to the Director. The required reporting schedule of the Civil Service Commission has led to a reporting pattern that has been brought to the attention of the Director and the Management Committee, and the details are not repeated here. Suffice it to say that it now appears that the D/EEO and the FWPC will have practically no time to give to the Inspection Staff's work by the end of FY-1975. In fact, in the eyes of those outsiders who judge the Agency's commitment to its EEO program, the lack of full-time personnel in this program and their organizational subordination in another staff, however generically related some of the activities, is inappropriate. As the program grows--as it clearly will--the present two officers assigned to EEO work will be involved exclusively in that work. In fact, there will be a need for an additional officer by the end of FY-1975; to this end AO/DCI plans the assignment of a black officer to the Inspector General for this work. It seems inevitable that these officers will require additional secretarial support. A recommendation on this point is made later in this report.

Change of Objectives

12. While a change in planned program objectives was not formally recorded during the year, the balance in the work of the Inspection Staff was different from that intended. Perhaps it emphasizes an unstated objective of the Inspection Staff--that of its readiness to be responsive to a variety of requirements. It is ill-equipped to do this at present. The Audit Staff planned to commence its new "program audit", and conducted the great majority of its planned compliance audits. One problem faced it in this respect, and that was a delay in formal approval of the "program audit" concept, which was held in abeyance during the last half of the Fiscal Year.

~~SECRET~~

Section B--Performance Against FY-1974 Objectives

Objectives and Results

Audit Staff

13. Prior to the beginning of fiscal year 1974 the Audit Staff submitted an audit program for the entire fiscal year. This program detailed the audits which were expected to be performed or initiated during fiscal year 1974. Attachment A lists audit reports released during fiscal year 1974, jobs in process on 30 June 1974 and jobs rescheduled into FY 1975. Overall, the Audit Staff released 206 audit reports of which 75 contained 265 audit recommendations. As planned, we achieved our training goal of 5% of total man days of Audit Staff personnel which emphasis on computer science and program audit techniques.

Inspection Staff

14. Under the new organization and program, the Inspection Staff projected a series of special studies of subjects approved by the Director on 9 January 1974, set forth at Attachment B. It also planned to receive and process the various appeals of employee grievances, as well as handle such special staff assignments as it might receive. The special studies actually undertaken and completed are shown in the attachment. Approximately 100 grievance cases of all types were handled during the fiscal year. Watergate and its by-products have produced an endless chain of investigations, papers and documents that are not recorded separately here.

15. A management objective was to develop sufficient experience in the new mode to be able to recommend specific manpower strengths. The distorted work pattern of the Staff, as distinguished from that planned, has complicated the evaluation of work requirements in terms of normal activities. It has demonstrated, however, the under-strength status of the office. A scrambling technique has had to be employed continuously to meet deadlines, to try and fit in mandatory tasks when they can be handled, and to maintain some sense of order and of control over the quality of the work produced.

~~SECRET~~

Component Evaluation

Audit Staff

16. We are pleased with the effectiveness of the Audit Staff's reorganization and with the findings of the Accounting and Management Consultants who made an independent survey of the staffing and operation of the Audit Staff (See Section C). We are also pleased with the completion of so many audits and the numerous audit recommendations which were made during the year. We believe we have now convinced management of the necessity for "Program Audits" and of the necessity of performing these audits on a management team basis making maximum use of the findings of other investigative components of the Agency thereby reducing any duplication of effort.

Inspection Staff

17. A major effort, in terms of manpower available, has been devoted to a variety of activities related to the Agency's posture in relation to external governmental support. We believe that our contribution has reduced the number of possible Agency errors in providing such support. We judge this effort to have been essential and in many respects outstanding. At the same time, there have been frustrations in that large requirements matched with tight deadlines and limited manpower has on occasion affected the ability of the Staff to perform up to its own standards, and left undone things that were planned.

18. We have been disappointed in the inability to undertake a larger number of special studies, and to begin to develop the new pattern of work that had been anticipated at the time of the reorganization at the beginning of FY-1974. One strength of the Staff in the past has been its continuing working contacts throughout the Agency, and the resulting knowledge of and feel for the state of the Agency; the heavy concentration on a smaller number of activities tends to hold Staff personnel back from this sort of working familiarity with the Agency. The planned Headquarters Interview Program to be accomplished this fall will hopefully revive this aspect of the Staff's overall capability.

Section C--Other FY 1974 Activities

Audit Staff

19. As stated in Section A the Audit Staff completed two audits on an expanded "Program Audit" basis. This means that in addition to examining and reporting upon the financial and legal compliance aspects of the operations of a component, we also gave attention to the efficiency and economy of the operation of the component as well as the results of its operations. One of these components was in the DDS&T and the other was in DDM&S. This was our first formal endeavor in this field and we feel that the results justify continuing and expanding this type of audit in the years ahead as required by Federal Government Audit Policy.

20. We noted during the audit of the DDS&T Special Activity that those other special activities administered by the Department of Defense not under the Director's certification authority apparently are not subject to program review by either DoD auditors or the GAO. It would appear that this matter should be explored in view of the Director's overall intelligence community responsibilities.

21. We initiated a review of the Defense Contract Audit Agency's (DCAA) Detachment A, which provides contract audit services to certain special activities of the Directorate for Science and Technology. This review was performed jointly by a representative of our staff and DCAA personnel. The review of Detachment A resulted from our desire for assurance that proper contract audits were being made of expenditures which the Director must certify.

22. An unexpected event of fiscal year 1974 was a complete survey of Audit Staff activities by the public accounting and management consulting firm of Touche Ross & Co. Their report gave the Audit Staff high marks on all its activities and recommended that we perform financial audits more selectively at more infrequent dates and expand our "Program Audit" activities. In the meantime we have presented the case for "Program Audits" to the Agency Management Committee and have also established priorities for all of our audits carrying frequencies of one, two and three years instead of attempting to visit each component every year.

23. We also established liaison with the Deputy Assistant Secretary of Defense (Audit) who is responsible for audit policy within the Department of Defense and audits the National Security Agency and the Defense Intelligence Agency. We found that this audit group provides extensive management review of intelligence operations within the Department of Defense. We believe that, in recognition of the Director of CIA's overall responsibility for the intelligence community, this liaison should be encouraged and the eventual possibility of joint audit efforts be considered.

Inspection Staff

24. The Inspection Staff has no "Other Activities" not discussed elsewhere in this report. Its ability to engage in collateral or such other activities relates directly to its staff strength and assignments. FY-1974 has been severely limiting in this respect.

Section D--Recommendations

Audit Staff

We recommend that:

(1) The Agency Regulation which will implement the current federal audit policy regarding "Program Auditing" be issued at the earliest possible date in order that all components of the Agency will recognize the task which is assigned to the Audit Staff. This will enhance the cooperation with the components being audited and will allow us to better schedule our activities for future years.

(2) The matter of program audits of DoD Special Activities not under audit cognizance of either DoD or GAO auditors be pursued.

(3) Liaison with DoD auditors on intelligence activities of national interest to the Director be continued and further explored.

Inspection Staff

We recommend that:

(1) The authorized Table of Organization of the Inspection Staff be reviewed with the following objectives:

a. The authorized strength be increased by one Inspector, Grade GS-15.

b. The EEO Program be constituted in a separate organizational component under the Inspector General, as the EEO Staff, with the D/EEO, FWPC, and one new secretarial position, Grade GS-7. The planned assignment of an additional EEO officer on the Development Complement of the DCI area should be finalized.

(2) The new formulation of Inspector General responsibilities, as posed in the draft regulation submitted months ago, be approved along with the new statement of the Audit Staff responsibility.

TAB

25X1

Approved For Release 2004/10/27 : CIA-RDP80M01048A000800040004-8

Next 12 Page(s) In Document Exempt

Approved For Release 2004/10/27 : CIA-RDP80M01048A000800040004-8